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Cotton and Products Update October 2012

Report Categories:
Cotton and Products
Agriculture in the Economy
Agricultural Situation
Trade Policy Monitoring

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Report Highlights:
India’s 2012/13 cotton harvest is underway with reported arrivals of 850,000 170 kg bales through the end of October. The onset of harvest is a few weeks later than normal given the planting delays in some areas because of the late onset of the monsoon.

General Information:

Cotton India	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Aug 2010		Market Year Begin: Aug 2011		Market Year Begin: Aug 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	0
Area Harvested	11,140	11,140	12,200	12,200	11,700	11,700
Beginning Stocks	9,374	5,922	10,074	6,912	7,724	3,712
Production	26,400	26,400	27,500	27,500	25,500	25,500
Imports	450	190	600	400	1,000	1,000
MY Imports from U.S.	0	0	0	0	0	0
Total Supply	36,224	32,512	38,174	34,812	34,224	30,212
Exports	6,000	5,000	10,500	11,000	3,500	3,500
Use	20,550	21,000	19,950	20,100	22,000	21,000
Loss	-400	-400	0	0	0	0
Total Dom. Cons.	20,150	20,600	19,950	20,100	22,000	21,000
Ending Stocks	10,074	6,912	7,724	3,712	8,724	5,712
Total Distribution	36,224	32,512	38,174	34,812	34,224	30,212
1000 HA, 1000 480 lb. Bales, PERCENT, KG/HA						

The 2012/13 Cotton Harvest Begins

The Ministry of Agriculture (see Table 1) indicates that cotton planted area has reached 11.6 million hectares. With the possibility of some additional planting in the south, area could inch slightly higher. India's 2012/13 cotton production forecast is unchanged at 33.0 million 170kg bales (25.5 million 480 lb bales). With the anticipated delay in the onset of harvest, as of October 28, 2012, arrivals had reached 850,000 170 kg bales, compared to 1.2 million bales a year ago when the onset of harvest was also considered somewhat later than normal. Prices for seed cotton were hovering at or below the minimum support price of Rs. 3,850 per quintal (35 cents per pound) for the representative Shankar-6 through the end of September and early October, but have jumped to Rs. 4,500 (41 cents per pound) over the past few weeks as mills have begun buying and the Cotton Corporation of India (CCI) stands ready to procure in an effort to support prices. CCI has made small commercial purchases in Punjab and Andhra Pradesh.

Table 1: All-India Weekly Cotton Planting Progress

Date	Planted Area (million hectares)	Average area for this week (million hectares)	Percent of Normal
22-Jun-12	2.11	-	-
29-Jun-12	3.14	-	-
6-Jul-12	4.66	-	-
13-Jul-12	6.52	7.04	92.6
20-Jul-12	8.37	9.00	93.0
27-Jul-12	9.72	9.40	103.4
3-Aug-12	10.01	9.99	100.2
9-Aug-12	10.92	9.99	109.3
17-Aug-12	11.03	10.51	104.9
24-Aug-12	11.15	10.58	105.4
31-Aug-12	11.28	10.69	105.5
7-Sep-12	11.35	10.73	105.7
14-Sep-12	11.44	10.82	105.8
24-Sep-12	11.49	10.86	105.8
28-Sep-12	11.60	10.92	106.2

Source: Ministry of Agriculture, Government of India

Cotton Consumption Strong of Late

Monthly cotton consumption was 2.1 million 170 kg bales in August, the ninth consecutive month that consumption exceeded 2.0 million bales (see Table 2). Spinning margins climbed to over a dollar per kg for the representative 40s count yarn in late September and early October pointing to continued strong consumption. Margins have dropped to 80 cents of late as yarn prices have declined, but are still in a range that is considered profitable for mills (see Table 6). FAS Mumbai continues to estimate 2011/12 cotton consumption at 21.0 million 480 lb bales and continues to recommend that USDA Washington adopt final cotton consumption estimates for 2010/11 and 2011/12.

Table 2: Monthly Cotton Consumption by the Textile Sector

(Million 170 kg bales)

	2009/10	2010/11	2011/12	2012/13
Aug	1.859	2.173	1.864	2.122
Sep	1.829	2.143	2.170	-
Oct	1.812	2.209	1.776	-
Nov	1.847	2.110	1.834	-
Dec	1.949	2.257	2.013	-
Jan	1.954	2.210	2.033	-
Feb	1.881	2.023	2.030	-
Mar	2.001	2.176	2.038	-
Apr	2.053	2.017	2.030	-
May	2.093	1.864	2.118	-
Jun	2.071	1.823	2.092	-
Jul	2.211	1.898	2.181	-
Loss*	1.7	2.0	1.6	
Total	**25.26**	**26.90**	**25.72**	**-**

Source: Textile Commissioner

*Loss estimate from the Cotton Advisory Board

Trade Estimates Largely Unchanged

Preliminary final data suggest that 2011/12 cotton exports were 13.9 million 170 kg bales (11.0 million 480 lb bales), 500,000 480 lb bales higher than the current USDA Washington estimate (see Tables 3a and 3b). Exports from August through October were just 200,000 480 lb bales and Indian export prices are trading at premiums to ICE nearby futures and the Cotlook A Index when domestic transportation costs are considered (see Table 5). As cotton becomes available, the pace of exports is expected to increase. Exporters have at least temporary certainty concerning the 2012/13 cotton export policy (see IN2136 for more details), but India's minimum support price could present a challenge for exporters if international prices remain weak.

Preliminary final data suggest that 2011/12 imports were 500,000 170 kg bales (400,000 480 lb bales), 200,000 480 bales below the current USDA Washington estimate. Initial estimates indicate that imports were over 400,000 480 lb bales from August through October, lending support to the current USDA Washington estimate (see Tables 4a and 4b).

Recommended trade estimates for 2010/11 reflect official data.

Table 3a: Estimate of 2011/12 Cotton Exports

	170 kg	Metric Tons	480 lb
August	436,447	74,196	340,780
September	948,859	161,306	740,873
October	696,324	118,375	543,692
November	2,095,165	356,178	1,635,913
December	1,621,682	275,686	1,266,216
January	2,524,159	429,107	1,970,873
February	2,324,518	395,168	1,814,992
March	512,088	87,055	399,840
April	1,369,700	232,849	1,069,467
May	798,494	135,744	623,467
June	590,029	100,305	460,697
Official Subtotal Aug-Jun 1	**13,917,465**	**2,365,969**	**10,866,810**
July Preliminary Exports 2\	227,871	38,738	177,922
Preliminary Total Aug-Jul	**13,940,336**	**2,404,707**	**11,044,732**

1\ Official subtotal reflects estimates from the Directorate General of Foreign Trade, for Harmonized Tariff Schedule code 5201 – raw cotton.

2\ Preliminary official data from the Directorate of Commercial Intelligence and Statistics. These data are subject to revision, but are considered a fairly reliable predictor of final official data.

Table 3b: Estimate of 2012/13 Cotton Exports

	170 kg	Metric Tons	480 lb
August Preliminary Exports 2\	72,735	12,365	56,792
September Estimated Exports 3\	60,000	10,200	46,848
October Estimated Exports 3\	140,000	23,800	109,313
Preliminary Total Aug-Oct	**272,735**	**46,365**	**212,953**

2\ Preliminary official data from the Directorate of Commercial Intelligence and Statistics. These data are subject to revision, but are considered a fairly reliable predictor of final official data.

3\ FAS Mumbai estimate

Table 4a: Estimate of 2011/12 Cotton Imports

	170 kg	**Metric Tons**	**480 lb**
August	8,735	1,485	6,821
September	2,518	428	1,966
October	12,647	2,150	9,875
November	14,665	2,493	11,450
December	12,847	2,184	10,031
January	37,265	6,335	29,096
February	80,224	13,638	62,639
March	92,535	15,731	72,252
April	98,447	16,736	76,868
May	79,324	13,485	61,936
June	34,006	5,781	26,552
Official Subtotal Aug-Jun 1	**473,212**	**80,446**	**369,486**
Jul Preliminary Imports 2	27,618	4,695	21,564
Preliminary Total Aug-Jul	**500,830**	**85,141**	**391,050**

1\ Official subtotal reflects estimates from the Directorate General of Foreign Trade, for Harmonized Tariff Schedule code 5201 – raw cotton.
2\ Preliminary official data from the Directorate of Commercial Intelligence and Statistics. These data are subject to revision, but are considered a fairly reliable predictor of final official data.

Table 4b: Estimate of 2012/13 Cotton Imports

	170 kg	**Metric Tons**	**480 lb**
August Preliminary Imports 2\	63,812	10,848	49,824
September Estimated Imports 3\	195,000	33,150	152,257
October Estimated Imports 3\	275,000	46,750	214,721
Preliminary Total Aug-Oct	**533,812**	**90,748**	**416,802**

2\ Preliminary official data from the Directorate of Commercial Intelligence and Statistics. These data are subject to revision, but are considered a fairly reliable predictor of final official data.
3\ FAS Mumbai estimate

Table 5: Indian Cotton Prices Compared to International Prices
(cents\lb)

	India Ex-Gin*	**ICE Futures Nearby**	**Difference ICE vs. Ex-Gin***	**Cotlook A Index**	**Difference Cotlook vs. Ex-Gin***
April 6	83	89	+6	100	+17
April 13	80	92	+12	100	+20
April 20	80	90	+10	100	+20
April 27	80	89	+9	101	+21
May 4	83	87	+4	98	+15
May 11	84	79	-5	90	+6
May 18	80	78	-2	85	+5
May 25	75	74	-1	83	+8
June 1	77	69	-8	82	+5
June 8	74	73	-1	84	+10
June 15	76	78	+2	83	+7
June 22	78	74	-4	80	+2
June 29	80	71	-9	81	+1
July 6	82	71	-11	83	+1
July 13	83	73	-10	83	0
July 20	90	73	-17	85	-5
July 27	89	71	-18	83	-6
Aug 03	89	74	-15	81	-8
Aug 10	91	73	-18	86	-5
Aug 17	89	73	-16	83	-6
Aug 24	90	75	-15	86	-4
Aug 31	90	77	-13	87	-3
Sep 07	90	76	-14	86	-4
Sep 14	85	76	-9	83	-2
Sep 21	83	73	-10	84	1
Sep 28	80	71	-9	81	1
Oct 05	79	71	-8	81	3
Oct 12	79	71	-8	80	1
Oct 19	80	77	-3	85	5
Oct 26	81	72	-9	82	1

*Indian ex-gin prices are from the Cotton Association of India.

Table 6: Indian Spinning Margins
(cents\lb)

	India Cotton Ex-Gin*	India 40s Warp Yarn**	Spinning Margin
May 4	83	161	78
May 11	84	169	85
May 18	80	169	89
May 25	75	169	94
June 1	77	166	89
June 8	74	166	92
June 15	76	164	88
June 22	78	164	86
June 29	79	166	87
July 6	82	169	87
July 13	83	169	86
July 20	89	173	84
July 27	89	181	92
Aug 03	89	181	92
Aug 10	91	181	90
Aug 17	89	181	92
Aug 24	90	181	91
Aug 31	90	183	93
Sep 07	90	181	91
Sep 14	85	181	96
Sep 21	83	181	98
Sep 28	80	181	101
Oct 05	80	181	101
Oct 12	79	178	99
Oct 19	79	162	83
Oct 26	80	162	82
Oct 27	81	162	81
Oct 28	81	162	81
Oct 29	81	162	81

*****Source: Cotton Association of India

****** Source: Tecoya

Table 7: Cotton Yarn Export Registration Data

Month	**Quantity**
	(Million kg)
Aug-11	97.734
Sep-11	77.157
Oct-11	43.69
Nov-11	76.362
Dec-11	83.005
Jan-12	79.148
Feb-12	60.518
Mar -12 (P)	*64.227*
Apr -12 (P)	*62.811*
May -12 (P)	*74.455*
Jun -12 (P)	*82.419*
Jul -12 (P)	*94.507*

(P) – Provisional

Source: Directorate General of Foreign Trade, Export Cell